

Senate Bill No. 1472

CHAPTER 173

An act to amend Section 710 of the Corporations Code, relating to corporations.

[Approved by Governor July 11, 2002. Filed with
Secretary of State July 12, 2002.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1472, Romero. Corporations.

Existing law sets forth various requirements applicable to a corporation with outstanding shares of record held by 100 or more persons relative to a supermajority vote requirement for an amendment of the articles of incorporation or a certificate of determination. A corporation is exempt from these requirements if it meets 4 conditions.

This bill would delete one of these conditions and make other related changes.

The people of the State of California do enact as follows:

SECTION 1. Section 710 of the Corporations Code is amended to read:

710. (a) This section applies to a corporation with outstanding shares held of record by 100 or more persons (determined as provided in Section 605) which files an amendment of articles or certificate of determination containing a "supermajority vote" provision on or after January 1, 1989; provided that this section shall not apply to a corporation which files an amendment of articles or certificate of determination on or after January 1, 1994, if, at the time of filing, the corporation has (1) outstanding shares of more than one class or series of stock; (2) no class of equity securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934; and (3) outstanding securities held of record by fewer than 300 persons determined as provided by Section 605.

(b) A "supermajority vote" is a requirement set forth in the articles or in a certificate of determination authorized under any provision of this division that specified corporate action or actions be approved by a larger proportion of the outstanding shares than a majority, or by a larger proportion of the outstanding shares of a class or series than a majority, but no supermajority vote which is subject to this section shall require

a vote in excess of $66\frac{2}{3}$ percent of the outstanding shares or $66\frac{2}{3}$ percent of the outstanding shares of any class or series of those shares.

(c) An amendment of the articles or a certificate of determination that includes a supermajority vote requirement shall be approved by at least as large a proportion of the outstanding shares (Section 152) as is required pursuant to that amendment or certificate of determination for the approval of the specified corporate action or actions. The supermajority vote requirement shall cease to be effective two years after the filing of the most recent filing of the amendment or certificate of determination to adopt or readopt the supermajority vote requirement. At any time within one year before the applicable expiration date, a supermajority vote requirement may be renewed, and at any time after the expiration date, a supermajority vote requirement may again be made effective for another two-year period, by readopting the provision and filing a certificate of amendment pursuant to, and subject to the limitations of, this subdivision. If the provision is not readopted in this manner, then the particular corporate action or actions previously subject to the supermajority vote shall thereafter require a vote of only a majority of either the outstanding shares or the shares of the specified class or series which had previously been subject to the supermajority vote provision, whichever the case may be.

(d) The amendments made to this section by the act amending this section in the 2001–02 Regular Session shall not affect the rights of minority shareholders existing under law.

